

# Overview of ACHE Standard Formula

## Formula Components:

### (1) Academic Program Calculation (Senior Institutions)

- ◆ **Cost of Instruction and departmental operating expenses**
- ◆ **Multiplier**
  - a) Unit instructional Cost (For general studies -average regional faculty salaries divided by assumed productivity adjusted for inflation)
  - b) Departmental Operating Expenses (overhead and administration)

⇒ The multiplier times weighted Semester Credit Hours (Academic weights to reflect cost differences in program mix and instruction level) equals total cost of instruction

- ◆ **Academic Support** (5% of estimated cost of instruction and operating expenses)
- ◆ **Research** (2% of sum of estimated cost of instruction, operating expenses & academic support)
- ◆ **Sponsored Research** (5% of qualifying research)
- ◆ **Public Service** (2% of sum of estimated cost of instruction, operating expenses & academic support)
- ◆ **Library Support** (Actual unweighted semester hours less military science times cost factor)
- ◆ **General Administration & Student Services** (set amounts based on headcount enrollment)
- ◆ **Physical Plant & Custodial Services** (gross square feet multiplied by cost factor)
- ◆ **General Institutional Support** (14% of items above)
- ◆ **Utilities O&M Allowance** (calculations are based on consumption rates for heating, electricity, and other utilities and gross square educational and general floor area)
- ◆ **Less—Tuition adjustment** (90% of weighted average credit hour charge multiplied by 3-year average unweighted credit hours—court ordered exceptions include ASU and AAMU)
- ◆ **Utilities Capital Allowance** ( 5-yr amortized expenditures for major repairs and replacement)
- ◆ **1<sup>st</sup> Professional Health** (medicine, optometry, dentistry, veterinary medicine, pharmacy & teaching hospitals)

### (2) Other Components of ACHE Standard Calculations (Senior Institutions):

- ◆ **Agricultural Experimentation and Extension** (Auburn University-prior year ACHE standard calculation times 3%)
- ◆ **Organized Research** (8% of Academic Program Research Component for doctoral institutions and 4% for non-doctoral institutions)
- ◆ **Public Service** (8% of Academic Program Public Service Component)
- ◆ **Facilities renewal and replacement** (based on volume of physical space, its construction and age, use and nationally estimated engineering rates for renovation and replacement)
- ◆ **Fringe Benefits** (social security (FICA), Retirement (TRSA) and PEEHIB (Health Insurance of prior year actual expenditures—Two-Year colleges)
- ◆ **Title VI Knight v. State of Alabama Court ordered funding (Desegregation)**

### (3) Two Year College ACHE Standard Calculations: (plus facilities renewal and fringes)

- ◆ **Jr. & Community College** = median SREB appropriation per FTE times 3-Yr Average Fall FTE
- ◆ **Technical College** = Adjusted Expense Rate times 3-Yr Average Fall FTE
  - ⇒ Adjusted expense rate is based on average faculty salaries, student:faculty ratio, program support expense adjustment and tuition adjustment